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S E C R E T SECTION 01 OF 03 TAIPEI 003552

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STATE FOR EAP/TC,
USTR FOR STRATFORD AND ALTBACH AND GRIER,
USDOC FOR 4431/ITA/MAC/AP/OPB/TAIWAN/JDUTTON
USDA/FAS FOR SHEIKH/MIRELES
TREASURY FOR OASIA/LMOGHTADER

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TAGS: [ETRD](#) [ECON](#) [PREL](#) [WTRO](#) [TW](#)
SUBJECT: TAIWAN VICE PREMIER ON EXPORT CONTROLS

REF: A. TAIPEI 3454

[1](#)B. TAIPEI 3288

Classified By: AIT DIRECTOR STEPHEN YOUNG FOR REASONS 1.5 (b), (d)

[1](#)1. (C) Summary: On October 16, Taiwan Vice Premier TSAI Ing-wen assured AIT Director Young of full cooperation on export control issues, promised to look into the U.S.-EU proposal on advancing Taiwan's accession to the WTO Government Procurement Agreement and said she believes the Taiwan economy is on an upward path. She also agreed to look into extending the lease for the Foundation for Scholarly Exchange (Fulbright) offices in Taipei. End Summary.

[1](#)2. (U) On October 16, AIT Director Young met with Vice Premier TSAI Ing-wen to brief her on his recent economic consultations in Washington and to discuss economic issues. The Director was accompanied by Deputy Director Wang and Econ Chief as notetaker. Tsai was accompanied by her chief of Staff, Chang Hsiao-hui.

Export Controls

[1](#)3. (C) The Director said North Korea's declared nuclear test made it self-evident that controlling exports of sensitive technologies is even more important now than it has been. He noted that Vice President Cheney's staff advised the Director the Vice President is personally following the status of export control efforts in Taiwan and elsewhere. He noted Taiwan has made a number of important steps in enhancing export controls, but urged greater enforcement efforts. In particular, he urged passage this fall of Taiwan's sensitive intangible technologies legislation. He also called for more rigorous investigations by the Ministry of Justice Investigation Bureau (MJIB) to build solid cases against Taiwan firms involved in shipping sensitive goods to North Korea or Iran. The Deputy Director noted that it would also be important for MJIB or other Taiwan investigative agencies to share information developed on cases even where those cases are not taken to prosecution.

[1](#)4. (S/NF) Tsai was very interested in the topic, though reluctant to personally commit to intervening with MJIB as

she suggested that this was beyond her jurisdiction. She reiterated Taiwan's commitment to full cooperation on export control issues and said she would raise this issue the very same evening (October 16) at a meeting between the Executive Yuan and DPP Party members from the Legislative Yuan. She said she would urge passage of the sensitive technologies bill. She also suggested the Director should raise export controls with Chiou I-jen, the Director General of the National Security Council (NSC). Chiou is in direct control of issues related to North Korea, she said, and would be very effective in making this issue a priority for Taiwan agencies. Note: Director did discuss this with Chiou on October 17, and Chiou promised close personal attention to the matter. End Note. She also noted Premier Su is personally supervising a program to improve security in Taiwan, suggesting Premier Su's project would also help solve AIT's concerns. (Comment: Tsai's reluctance to intervene with MJIB may stem from the fact MJIB was the internal police under KMT rule and undertook surveillance and reporting on DPP members. End Comment.)

Economic Engagement

15. (C) The Director said he had met with Deputy U.S. Trade Representative Karan Bhatia, USDOC U/S Frank Lavin, DOS U/S Josette Sheeran and Treasury U/S Timothy Adams during his recent consultations in Washington and that there is a consensus the U.S. should be strongly engaged with Taiwan on economic issues. He suggested the agreed outcomes from the Trade and Investment Agreement Talks in May this year provide an outline of next steps. The next step should be approval of the MOA governing the Consultative Committee on Agriculture (CCA) and having a senior official come from Washington to

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launch the first meeting of the CCA. The Director said that Bhatia and Lavin are both interested in visiting Taiwan sometime and that Adams is now considering the idea.

16. (C) The Director also noted he had attended a DOS conference of Chiefs of Mission where USTR Schwab spoke about Free Trade Agreements. He said the Washington economic community is well aware of Taiwan's interest in an FTA and that Schwab told the conference USTR will want to wait until after the Congressional elections in November before approaching the Congress about extending "fast track" authority beyond next summer. She also noted that many countries are already queuing up for FTAs. The Director told Tsai he had a brief exchange with Schwab where he informed

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her of the importance Taiwan attaches to an FTA as a means to help Taiwan avoid economic marginalization.

GPA

17. (C) The Director reported on the latest joint U.S.-EU proposal to move Taiwan's accession forward in the GPA (ref A) by using generic language to refer to previous decisions of the GPA committee as opposed to specific decisions. Tsai said she hadn't received any internal reports on the U.S. proposal, but indicated she would be willing to look at a new approach. The Director noted we would want to move forward on a bilateral agreement by the end of the year if we could not get agreement on this new approach. Tsai asked about the EU view of a Taiwan - U.S. bilateral and we told her the EU would also want one of its own. Tsai said she had talked with Minister of Economic Affairs Steve CHEN Ruey-long about a bilateral agreement and she thought that might be a reasonable approach. She took notes and with the presumed intention to raise the issue with MOEA.

Financial Consolidation

18. (SBU) The Director asked for Tsai's comments on the

recent movements in financial markets; including Standard Chartered Banks recently announced purchase of Hsinchu Business Bank and the pending merger of state-owned Changhua Bank with Tai Hsin Financial Holding Company. Tsai seemed quite pleased with the developments. Taiwan wants to have direct investors in its banking community rather than financial investors who are looking to quickly resell any stake they take in a domestic financial firm. She indicated there are other foreign banks interested in purchasing Taiwan banks and reiterated government policy to reduce the number of banks operating in Taiwan. Gently diverting the conversation away from specifics about motivations for mergers, she suggested Taiwan is a good market for banking services, wealth management. Foreign banks are increasingly showing a willingness to pay high prices for Taiwan financial assets.

Economic Trends

19. (SBU) Tsai said there have been a number of improvements in Taiwan's capital markets recently, citing the decision of Deutsche Bank to issue foreign currency-denominated bonds in Taiwan. She said this kind of activity will help diversify Taiwan's capital markets. She is not too worried about Taiwan's GDP growth rate and believes the economy is on an upward trend. Tsai remains concerned about the degree of uncertainty in the business community, but seemed confident the economy is on a solid footing.

Fulbright Lease

10. (SBU) The Fulbright program in Taiwan has been served an eviction notice to vacate its premises by the end of October. The Deputy Director raised the issue with Tsai, noting conversations with the Ministry of Foreign Affairs suggested the situation was becoming more complicated because the current premises are slated to be turned into a February 28 Memorial due to open in February of 2007. The Director asked for Tsai's support for the Fulbright's lease to be extended until its own new premises are renovated. Tsai said she

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would talk to the Ministry of Education about the issue.
YOUNG